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TAGS: [PREL](#) [ETRD](#) [ECON](#) [TS](#)

SUBJECT: PRIME MINISTER GHANNOUCHI ON BILATERAL TRADE,  
INVESTMENT, GROWTH

REF: TUNIS 751

Classified by Ambassador Gordon Gray for reasons 1.4 (b) and  
(d).

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Summary  
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¶1. (C) Tunisian Prime Minister Ghannouchi told the Ambassador on October 7 that he hoped to find ways to increase bilateral trade and particularly to boost Tunisian exports to the U.S. The Prime Minister wished the exemptions on certain Tunisian export products under the Generalized System of Preferences could be fixed for several years, creating stability and predictability for Tunisian export firms. Tunisia was also very keen to attract more foreign direct investment, including from the U.S., to counter its unemployment challenges. The Ambassador said liberalizing the rules on franchising would be a good place to start. End summary.

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Let's Boost Trade  
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¶2. (C) Welcoming Ambassador Gray to Tunis, and noting Tunisia's longstanding positive ties with the U.S., Prime Minister Ghannouchi hoped to see the U.S. - Tunisia economic relationship strengthened in the coming years. While pleased that bilateral trade has been growing, the relationship is far from reaching its potential, thought Ghannouchi, whose portfolio is mainly limited to economic issues. The trade deficit was particularly concerning, added Ghannouchi: roughly 80 percent of trade is in U.S. exports to Tunisia, and only 20 percent in Tunisian exports to the U.S.

¶3. (C) Absent a free trade agreement, which the Ambassador explained is unlikely to move forward in the foreseeable future, the Trade and Investment Framework Agreement (TIFA), signed in 2002, offered various opportunities, most still unexploited, to stimulate bilateral trade. The Prime Minister wished the exemptions on certain Tunisian exports granted under the GSP could be fixed for a duration of several years, rather than on an annual basis. This change would create stability and predictability for Tunisian firms targeting the U.S. market, to the benefit of both Tunisian exporters and U.S. consumers.

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Wanted: More FDI  
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¶4. (C) Unemployment, which officially stands at 14 percent, is "too high," and a serious challenge, the Prime Minister acknowledged. Ghannouchi said the Tunisian government was particularly keen to attract more foreign direct investment, particularly from within the Euro-Med region, and the Gulf, but also from farther afield, including from the U.S. The Ambassador noted Tunisia's new law on franchises which

promised, if implemented wisely, to reinvigorate investment interest from leading U.S. firms, whose businesses also tend to create many local jobs. Tunisia was focusing on improving its communications and IT infrastructure, two areas identified by the GOT as key to attracting investors and the jobs they bring with them. The GOT also needed to invest more in vocational training programs, Ghannouchi allowed.

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Oil and Money  
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15. (C) Ghannouchi also praised U.S. firms involved in oil and gas exploration in Tunisia, saying he hoped evolving technology would make exploiting Tunisia's limited hydrocarbon reserves more viable economically in the future. The Prime Minister also singled out U.S. based Citibank as playing a positive role in Tunisia's financial sector, and added that Tunisia's banking laws had helped shield the country from the worst effects of the global financial crisis.

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Security and Regional Affairs  
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16. (C) In brief asides, Ghannouchi also described bilateral military and counterterrorism cooperation as positive. The Ambassador and the Prime Minister also discussed recent diplomatic developments on Iran (reftel).

GRAY